

28 JAN 1949

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GENERAL

1. New US approach to Berlin currency problem--The Department of State has instructed US Embassy London to obtain British comments on a modified US plan in regard to Berlin currency. According to the plan, during the current Geneva meeting, the US, the UK, and France would: (a) again stress their objections to the UN Neutral Committee's preliminary plan; (b) urge reconsideration of the US counterproposal as a "stand-still interim" solution affording protection to all four powers in a split city, to be accompanied by an agreement to lift the blockade and hold an early meeting of the Council of Foreign Ministers; (c) indicate their willingness, upon the lifting of the blockade, to negotiate through the military governors reunification of the city administration; and (d) express their willingness, if these negotiations are successful, to reconsider the Neutral Committee's preliminary plan, or a new plan, for the use of a single currency under a uniform city administration. The Department feels that this "new approach" would place the western powers on record as proposing a positive workable arrangement and would furnish the US with a concrete program for future discussion in the SC.

2. Norway's position in defense discussions weakening--Norwegian Foreign Minister Lange has expressed to US Ambassador Bay in Oslo concern that his fight against Swedish neutrality and in favor of the Atlantic Pact has been made more difficult by recent press reports under a Washington dateline implying that the US might supply defense equipment to a neutral Scandinavian bloc. Bay believes that Lange's present leadership in the Scandinavian defense talks may be threatened unless the US again makes it clear that a neutral Scandinavian bloc cannot expect more consideration than Scandinavian nations singly. Lange also reported increasing opposition in Norway against an alliance with the west.

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FAR EAST

3. CHINA: Nationalist plans for Taiwan reported--According to the US Consul General in Shanghai, the Mayor of Shanghai, in a conference on 28 January with US officials in that city, stated that Taiwan was planned as a last Nationalist bastion and indicated that the Chinese airforce and navy would withdraw to Taiwan to prevent a Communist invasion. The Mayor requested that as much ECA aid as possible be diverted to Taiwan and also raised the question of reestablishing trade between Japan and Taiwan. He added that the Nationalist Government had already shipped 2,000,000 ounces of gold to Taiwan and that he was asking that 500,000 more ounces be transferred there from the remaining government stocks in Shanghai.

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